

BEFORE THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

In Re:

CARTWRIGHT CREEK, LLC'S PETITION
TO AMEND CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY TO
PROVIDE WASTEWATER UTILITY
SERVICES.

No. 04-00358

T.R.A. DOCKET ROOM

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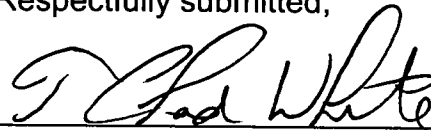
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AMENDMENT TO PETITION TO AMEND CARTWRIGHT CREEK'S
CERTIFICATE OF CONVENIENCE AND NECESSITY

Comes now Cartwright Creek, LLC ("Cartwright Creek") and submits this Amendment to the above-captioned Petition. In support of its financial responsibility and wherewithal as same relate to Cartwright Creek's ability to efficiently and effectively provide wastewater utility services to a planned growth area of Williamson County, Tennessee, commonly known as "PGA 5," attached hereto and filed contemporaneously herewith as CONFIDENTIAL Exhibit 1 are copies of financial statements and related information.

This the 30th day of November, 2004.

Respectfully submitted,



T. Chad White, B.P.R. No. 21950
Tune, Entekin, and White, P.C.
AmSouth Center, Suite 1700
315 Deaderick Street
Nashville, TN 37238-1700
615/244-2770 (Office)

EXHIBIT 1

CONFIDENTIAL

FINANCIAL AND PROPRIETARY INFORMATION

S.I.L. CLEAN WATER, L.L.C.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002
TOGETHER WITH
AUDITOR'S REPORT

These financial statements have been prepared from the Company's books and records making all necessary adjustments thereto and they represent the final statements for the period under audit

Signed:

Robert L. Cohen CFO

(Name and Title)

Dated:

3/31/2004

Dugan & Lopatka

Certified Public Accountants & Consultants
A Professional Corporation
104 East Roosevelt Road
Wheaton, Illinois 60187
(630) 665-4440
Fax (630) 665-5030
<http://www.tdip.com>
e-mail: info@tdip.com

Michael J. Dugan
Gerald L. Lopatka
Mark F. Schultz
Gwendolyn S. Henry
Peter J. Zich
Leo M. Misdorn
R. Dirk Schilling
T. Brett Flickinger

Geneva office:
115 Campbell Street
Geneva, Illinois 60134
(630) 232-4565

To the Board of Directors and Shareholders
of S.I.L. Clean Water, L.L.C.:

We have audited the accompanying balance sheet of S.I.L. Clean Water, L.L.C. (an Illinois limited liability corporation) as of December 31, 2003 and 2002, and the related statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S.I.L. Clean Water, L.L.C. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


DUGAN & LOPATKA

Wheaton, Illinois
March 10, 2004

AFFILIATE
INPACT
INTERNATIONAL NETWORK OF
PROFESSIONAL ACCOUNTANTS

S.I.L. CLEAN WATER, L.L.C
BALANCE SHEET
DECEMBER 31, 2003 AND 2002

A S S E T S (Note 3)

	<u>2003</u>	<u>2002</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,067,833	\$ 1,039,072
Accounts receivable	71,818	170,416
Interest receivable	189	620
Prepaid expenses (Note 2)	2,500	38,467
Total current assets	<u>\$ 1,142,340</u>	<u>\$ 1,248,575</u>
 PROPERTY, PLANT AND EQUIPMENT:		
Collection system	\$ 2,207,052	\$ 2,207,052
Testing equipment	79,604	26,435
Vehicles (Note 4)	38,130	38,130
Irrigation system	2,428,676	2,377,577
Reclamation facility	5,759,805	5,759,805
Total property, plant and equipment	<u>\$ 10,513,267</u>	<u>\$ 10,408,999</u>
Less - Accumulated depreciation	<u>(1,009,997)</u>	<u>(698,821)</u>
Net property, plant and equipment	<u>\$ 9,503,270</u>	<u>\$ 9,710,178</u>
 OTHER ASSETS:		
Bond issuance costs, net of accumulated amortization of \$54,694 and \$35,416 in 2003 and 2002, respectively	\$ 415,381	\$ 434,659
Permitting costs, net of accumulated amortization of \$32,200 and \$22,600 in 2003 and 2002, respectively	222,017	231,617
Net other assets	<u>\$ 637,398</u>	<u>\$ 666,276</u>
	<u><u>\$ 11,283,008</u></u>	<u><u>\$ 11,625,029</u></u>

The accompanying notes are an integral part of this statement.

EXHIBIT 1

LIABILITIES AND MEMBERS' EQUITY

	2003	2002
CURRENT LIABILITIES:		
Bonds payable, current portion (Note 3)	\$ 175,000	\$ 165,000
Note payable, current portion (Note 4)	3,819	3,710
Accounts payable (Note 2)	111,438	117,510
Interest payable	97,301	98,298
Accrued expenses (Note 2)	24,680	32,749
Total current liabilities	\$ 412,238	\$ 417,267
LONG-TERM LIABILITIES:		
Bonds payable, net of current portion above (Note 3)	\$ 7,870,000	\$ 8,045,000
Notes payable, net of current portion above (Note 4)	11,093	14,884
Total long-term liabilities	\$ 7,881,093	\$ 8,059,884
Total liabilities	\$ 8,293,331	\$ 8,477,151
MEMBERS' EQUITY:		
Members' equity, beginning of year	\$ 3,147,878	\$ 3,241,150
Contributed capital - S.I.L.	-	13,000
Dividend distribution (Note 2)	(33,145)	(175,977)
Net income (loss) (EXHIBIT 2)	(125,056)	69,705
Members' equity, end of year	\$ 2,989,677	\$ 3,147,878
	\$ 11,283,008	\$ 11,625,029

EXHIBIT 2

S.I.L. CLEAN WATER, L.L.C.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
REVENUE:		
Service and fee income	\$ 1,760,204	\$ 1,796,151
EXPENSES:		
Bank service charges	\$ 451	\$ 292
Bond expense	13,534	4,482
Depreciation and amortization	340,052	319,650
Insurance	75,809	74,894
Laboratory testing	70,450	58,819
Management fees (Note 2)	30,000	60,000
Outside consultants	4,477	3,897
Payroll taxes	5,539	6,555
Professional fees	7,855	11,266
Property taxes	68,117	58,028
Repairs and maintenance	48,942	42,493
Salary	73,848	76,823
Supplies	131,216	54,657
Travel	-	295
Utilities	423,336	345,432
Miscellaneous	809	24,082
Total expenses	\$ 1,294,435	\$ 1,142,665
INCOME FROM OPERATIONS	\$ 465,769	\$ 653,486
OTHER INCOME (EXPENSES):		
Interest income	\$ 3,856	\$ 43,569
Interest expense	(594,681)	(603,520)
Gain (loss) on investments	-	(23,830)
Net other (expenses)	\$ (590,825)	\$ (583,781)
NET INCOME (LOSS)	\$ (125,056)	\$ 69,705

The accompanying notes are an integral part of this statement.

EXHIBIT 3

S.I.L. CLEAN WATER, L.L.C
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (125,056)	\$ 69,705
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	\$ 340,052	\$ 319,650
(Gain) loss on investments	-	23,827
(Increase) decrease in accounts receivable	98,598	(24,890)
Decrease in interest receivable	431	10,532
(Increase) decrease in prepaid expenses	35,967	(38,467)
Increase (decrease) in accounts payable	(6,072)	22,003
(Decrease) in accrued expenses	(9,065)	(41,931)
Net adjustments	\$ 459,911	\$ 270,724
Net cash provided by operating activities	\$ 334,855	\$ 340,429
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	\$ (104,268)	\$ (7,605)
Proceeds from sale of investments	-	755,004
Net cash provided by (used in) investing activities	\$ (104,268)	\$ 747,399
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bond payable	\$ (165,000)	\$ (150,000)
Payments on notes payable	(3,681)	(911)
Dividend distribution	(33,145)	(175,977)
Capital contribution	-	13,000
Net cash (used in) financing activities	\$ (201,826)	\$ (313,888)
NET CHANGE IN CASH	\$ 28,761	\$ 773,940
CASH AND CASH EQUIVALENTS, Beginning of year	1,039,072	265,132
CASH AND CASH EQUIVALENTS, End of year	\$ 1,067,833	\$ 1,039,072

The accompanying notes are an integral part of this statement.

S.I.L. CLEAN WATER, L.L.C.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

S.I.L. Clean Water (the "Company") was formed September 1, 1997 to engineer, own, and operate a wastewater reclamation, treatment, and irrigation system in Virginia. This new system will consolidate the four waste treatment systems of the Towns of Broadway and Timberville, ROCCO Enterprises Inc., and Pilgrims Pride, Inc., under 25-year contracts.

Cash and cash equivalents -

For purposes of the statement of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

Accounts receivable -

The Company grants trade credit to its customers located primarily in the United States of America. Receivables are valued at management's estimate of the amount that will ultimately be collected.

Property, plant and equipment -

Property, plant and equipment are recorded at cost. Renewals and betterment of property are accounted for as additions to the asset accounts. Repair and maintenance charges are expensed as incurred. Upon retirement or other disposition, the cost is removed from the fixed asset account and the related depreciation previously provided is removed from the accumulated depreciation account. Gain or loss on such retirements is included in earnings. The cost of all depreciable property is charged to operations over their estimated useful lives ranging from 3 to 40 years.

Credit risk -

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. The Company places its cash and deposits with high credit quality financial institutions; however, deposits occasionally exceed the federally insured limits.

Income taxes -

The Company has elected to be taxed as a limited liability company under the provisions of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate taxes on its taxable income. Instead, the members are liable for individual federal income taxes on their respective shares of the Company's taxable income.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(2) RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2003 and 2002, Sheaffer International, L.L.C. paid expenses on behalf of the Company. The Company will reimburse Sheaffer International, L.L.C. for those expenses at their discretion. The following transactions occurred with Sheaffer:

	<u>2003</u>	<u>2002</u>
Prepaid expenses	\$ -	\$ 35,967
Accounts payable	-	64,269
Accrued expenses	8,285	18,704
Management fees	30,000	60,000
Distribution to Sheaffer International, L.L.C.	33,145	175,977

(3) BONDS PAYABLE:

The state of Virginia Small Business Finance Authority for the benefit of the Company has issued tax-exempt bonds totaling \$8,500,000. Outstanding borrowings totaled \$8,045,000 and \$8,210,000 for December 31, 2003 and 2002, respectively. The bonds bear interest at 7.25%, payable semi-annually on the first day of May and November. The bonds are secured by property, a security interest in the Company's revenue, a pledge of receipts of the State of Virginia grants, and an assignment of certain wastewater treatment contracts relating to the facility. Bonds are subject to mandatory sinking fund repayments as follows:

2004	\$ 175,000
2005	185,000
2006	200,000
2007	215,000
2008	230,000
Thereafter	7,040,000

(4) NOTE PAYABLE:

	<u>2003</u>	<u>2002</u>
Payable to a financial institution in monthly installments of \$350, principal and interest, bearing interest at 2.9%, due in September, 2007, and secured by a vehicle.	\$ 14,912	\$ 18,594
Less -- Current portion	<u>(3,819)</u>	<u>(3,710)</u>
Long-term portion	<u>\$ 11,093</u>	<u>\$ 14,884</u>

Maturities for the years succeeding December 31, 2004 are as follows:

2005	\$ 3,931
2006	4,047
2007	<u>3,115</u>
	<u>\$ 11,093</u>

(5) SUPPLEMENTAL CASH FLOW INFORMATION:

	<u>2003</u>	<u>2002</u>
Interest paid	<u>\$ 595,678</u>	<u>\$ 606,239</u>
Interest received	<u>\$ 4,287</u>	<u>\$ 54,101</u>
Vehicle purchased through financing	<u>\$ -</u>	<u>\$ 19,504</u>

(6) SUBSEQUENT EVENTS:

During March, 2004, the Company received a notice from the Commonwealth of Virginia's Department of Environmental Quality, and was found to be in violation of the state water control law on the North Folk Modular Reclamation and Reuse Facility. This matter is currently still pending and no potential liability can be determined.

03/11/04

Sheaffer International, L. L. C.
Balance Sheet Prev Year Comparison (unaudited)
As of December 31, 2003

	<u>Dec 31, '03</u>	<u>Dec 31, '02</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current Assets				
Checking/Savings				
Cash LLC	38,476.57	85,892.33	-47,415.76	-55.2%
Cash Ltd	0.00	5,816.26	-5,816.26	-100.0%
Farmers & Merchant Checking	11.83	107.20	-95.37	-88.97%
Total Checking/Savings	<u>38,488.40</u>	<u>91,815.79</u>	<u>-53,327.39</u>	<u>-58.08%</u>
Accounts Receivable				
Accounts Receivable	109,168.12	136,325.26	-27,157.14	-19.92%
Total Accounts Receivable	<u>109,168.12</u>	<u>136,325.26</u>	<u>-27,157.14</u>	<u>-19.92%</u>
Other Current Assets				
Patents	13,187.81	14,066.99	-879.18	-6.25%
Petty Cash	300.00	300.00	0.00	0.0%
Prepaid Expenses	0.00	21,913.40	-21,913.40	-100.0%
Work in Process	2,633,609.34	2,633,609.34	0.00	0.0%
Total Other Current Assets	<u>2,647,097.15</u>	<u>2,669,889.73</u>	<u>-22,792.58</u>	<u>-0.85%</u>
Total Current Assets	<u>2,794,753.67</u>	<u>2,898,030.78</u>	<u>-103,277.11</u>	<u>-3.56%</u>
Fixed Assets				
Accumulated Depreciation	-86,279.55	-70,509.91	-15,769.64	22.37%
Computer Equipment & Software	55,206.64	55,206.64	0.00	0.0%
Computer Software	6,639.50	6,639.50	0.00	0.0%
Furniture & Equipment	51,094.52	51,094.52	0.00	0.0%
Total Fixed Assets	<u>26,661.11</u>	<u>42,430.75</u>	<u>-15,769.64</u>	<u>-37.17%</u>
Other Assets				
Deposits	500.00	500.00	0.00	0.0%
Due from Ltd.	3,764.00	3,764.00	0.00	0.0%
Front Range Toll Road Note Rec	4,000.00	4,000.00	0.00	0.0%
Investment in SIL Clean Water	2,978,278.16	3,116,400.26	-138,122.10	-4.43%
Investment Sheaffer Indiana	500.00	500.00	0.00	0.0%
Investments-Sheaffer LTD	37,500.00	37,500.00	0.00	0.0%
Note Receivable - S I. Ltd.		50,000.00	#VALUE!	#VALUE!
Note Receivable / Indiana	500.00	500.00	0.00	0.0%
Total Other Assets	<u>3,025,042.16</u>	<u>3,213,164.26</u>	<u>-188,122.10</u>	<u>-5.86%</u>
TOTAL ASSETS	<u><u>5,846,456.94</u></u>	<u><u>6,153,625.79</u></u>	<u><u>-307,168.85</u></u>	<u><u>-4.99%</u></u>
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
Accounts Payable	<u>330,976.09</u>	<u>317,786.44</u>	<u>13,189.65</u>	<u>4.15%</u>

Sheaffer International, L. L. C.
Balance Sheet Prev Year Comparison (unaudited)
As of December 31, 2003

	<u>Dec 31, '03</u>	<u>Dec 31, '02</u>	<u>\$ Change</u>	<u>% Change</u>
Other Current Liabilities				
Accrue Expenses	-1 805 10	0 00	-1,805 10	-100 0%
Accrued interest	3,000 00	3,000 00	0 00	0 0%
Accrued Salaries/Fringes	28 758 60	28,758 60	0 00	0 0%
AFCO Premium Note Payable	0 00	35,899 99	-35,899 99	-100 0%
Line of Credit	50,000 00	50,000 00	0 00	0 0%
Total Payroll Liabilities	<u>31,201 51</u>	<u>205.55</u>	<u>30,995 96</u>	<u>15,079 52%</u>
Total Other Current Liabilities	<u>111,155 01</u>	<u>117,864.14</u>	<u>-6,709 13</u>	<u>-5.69%</u>
Total Current Liabilities	<u>442 131 10</u>	<u>435 650 58</u>	<u>6,480 52</u>	<u>1 49%</u>
Long Term Liabilities				
Due to Shareholder	30,000 00	30,000 00	0 00	0 0%
Note payable - Jupiter	<u>48,970 30</u>	<u>50,970.30</u>	<u>-2,000.00</u>	<u>-3.92%</u>
Total Long Term Liabilities	<u>78,970 30</u>	<u>80,970.30</u>	<u>-2,000.00</u>	<u>-2 47%</u>
Total Liabilities	<u>521 101 40</u>	<u>516,620 88</u>	<u>4 480 52</u>	<u>0 87%</u>
Equity				
Class A - Preferred Unitholders	600,000 00	600,000 00	0 00	0 0%
Retained Earnings	-304,349 59	1 141,186 88	-1 445,536 47	-126 67%
Unitholder's Equity	5,856,354 50	5,341 354 50	515,000 00	9 64%
Net Income	<u>-776,649.37</u>	<u>-1,445,536 47</u>	<u>668,887 10</u>	<u>-46.27%</u>
Total Equity	<u>5,375,355.54</u>	<u>5,637,004 91</u>	<u>-261,649 37</u>	<u>-4.64%</u>
TOTAL LIABILITIES & EQUITY	<u><u>5,896,456.94</u></u>	<u><u>6,153,625.79</u></u>	<u><u>-257,168.85</u></u>	<u><u>-4.18%</u></u>

Sheaffer International, L. L. C.
Profit & Loss Prev Year Comparison (unaudited)
 January through December 2003

	<u>Jan - Dec '03</u>	<u>Jan - Dec '02</u>	<u>\$ Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
BOOM Projects Revenue				
Boom Managment Fee	30,000 00	60,000 00	-30,000 00	-50 0%
Total BOOM Projects Revenue	<u>30,000 00</u>	<u>60,000 00</u>	<u>-30 000 00</u>	<u>-50 0%</u>
Professional Fees	577,855.00	249,311.75	328,543.25	131.78%
Total Income	<u>607,855 00</u>	<u>309,311 75</u>	<u>298,543.25</u>	<u>96.52%</u>
Gross Profit	607,855 00	309,311 75	298 543 25	96 52%
Expense				
Advertising	1,826 00	1 528 62	297.38	19 45%
Amortization Expense	879 18	1,172 24	-293 06	-25 0%
Audio Visual Package	150 65	0 00	150 65	100 0%
Automobile Expense	0 00	10,336 95	-10,336 95	-100 0%
Bad Debt Expense	0 00	13,337 00	-13 337 00	-100 0%
Bank Service Charges	828 52	629 60	198 92	31 6%
Contributions	0 00	0 00	0 00	0 0%
Dues and Subscriptions	1,913 00	673 95	1,239 05	183 85%
Easement	6,000 00	113,500.00	-107,500 00	-94 71%
Equipment Rental	79,715 16	107 296 98	-27,581 82	-25 71%
Insurance				
Auto Insurance	0 00	2,447 00	-2,447 00	-100 0%
Dental	5,377 62	3,518 23	1,859 39	52 85%
Fee	25 00	100 00	-75 00	-75 0%
General Business	21,913 40	11,444.27	10,469 13	91 48%
Health Insurance	106,380 47	85,962 72	20,417 75	23 75%
Life/ADD	12,763 77	26 003 91	-13,240 14	-50 92%
Performance Bonds	0 00	100 00	-100 00	-100 0%
Professional Liability	44,315 53	7,943 73	36,371.80	457 87%
Workers Comp	0 00	6,198 00	-6,198 00	-100 0%
Insurance - Other	0 00	0 00	0.00	0 0%
Total Insurance	<u>190.775 79</u>	<u>143,717 86</u>	<u>47,057 93</u>	<u>32 74%</u>
Interest Expense				
Finance Charge	9,118 60	11,264 05	-2,145 45	-19 05%
Loan Interest	3,618 16	4 724 43	-1,106 27	-23 42%
Other	67,867.33	31,902.63	35,964 70	112.73%
Total Interest Expense	<u>80 604 09</u>	<u>47 891 11</u>	<u>32,712 98</u>	<u>68 31%</u>
Legal & Accounting				
Accounting	17,772 50	27,737 45	-9,964 95	-35 93%
Legal Fees	6,249 97	134,871.27	-128,621.30	-95 37%
Total Legal & Accounting	<u>24,022 47</u>	<u>162,608 72</u>	<u>-138,586 25</u>	<u>-85 23%</u>

Sheaffer International, L. L. C.
Profit & Loss Prev Year Comparison (unaudited)
January through December 2003

	<u>Jan - Dec '03</u>	<u>Jan - Dec '02</u>	<u>\$ Change</u>	<u>% Change</u>
Licenses and Permits	2,914 00	2,274 97	639 03	28 09%
Marketing Material	12 30	1 550 63	-1,538 33	-99 21%
Miscellaneous	247 97	0 00	247 97	100 0%
Office Supplies	2,285 10	10 486 38	-8 201 28	-78 21%
Other Fringes	0 00	0 00	0 00	0 0%
Outside Consultants				
Contractors	377 75	5 033 08	-4,655 33	-92 5%
Engineering Consultation	6,713 53	152,809 65	-146,096 12	-95 61%
Financial	1 500 00	10 024 04	-8,524 04	-85 04%
Laboratory Testing	1,507 28	2,222.00	-714 72	-32 17%
Outside Consultants - Other	4,061.50	22,618 50	-18,557.00	-82.04%
Total Outside Consultants	14,160.06	192,707 27	-178,547 21	-92 65%
Payroll Expenses	682,661 10	740 512 46	-57,851 36	-7 81%
Payroll taxes	51,265 21	56,623 46	-5,358 25	-9 46%
Postage and Delivery	5 604 14	11,364 79	-5 760 65	-50 69%
Professional Development	6,342 97	585 00	5,757 97	984 27%
Rent	53,427 24	78,120 35	-24,693 11	-31 61%
Repairs				
Computer Repairs	0 00	220 00	-220 00	-100 0%
Equipment Repairs	730.00	1,210 73	-480 73	-39.71%
Total Repairs	730 00	1,430 73	-700 73	-48 98%
Supplies	15,374 96	2,087 29	13,287 67	636 6%
Telephone	25 529 23	18,034 07	7,495 16	41 56%
Training	299 00	0 00	299 00	100 0%
Travel & Ent				
Entertainment	3,015 55	1,004 10	2,011 45	200 32%
Meals	526 70	947 74	-421 04	-44 43%
Travel	55,880 55	63,797 53	-7 916 98	-12 41%
Travel & Ent - Other	1,322.07	310.01	1,012 06	326 46%
Total Travel & Ent	60 744 87	66 059 38	-5 314 51	-8 05%
Uncategorized Expenses	195 00	0 00	195 00	100 0%
Utilities				
Gas and Electric	1,701 45	0.00	1,701 45	100 0%
Total Utilities	1,701.45	0 00	1,701 45	100 0%
Total Expense	1,310,209.46	1,784,529 81	-474,320 35	-26.58%
Net Ordinary Income	-702,354 46	-1,475,218 06	772,863 60	-52 39%
Other Income/Expense				
Other Income				
Change in Clean Water Invstmnt	-55,270 11	42,592 28	-97,862 39	-229 77%

Sheaffer International, L. L. C.
Profit & Loss Prev Year Comparison (unaudited)
January through December 2003

	<u>Jan - Dec '03</u>	<u>Jan - Dec '02</u>	<u>\$ Change</u>	<u>% Change</u>
Licenses and Permits	2,914 00	2,274 97	639 03	28 09%
Marketing Material	12 30	1 550 63	-1,538 33	-99 21%
Miscellaneous	247 97	0 00	247 97	100 0%
Office Supplies	2,285 10	10 486 38	-8 201 28	-78 21%
Other Fringes	0 00	0 00	0 00	0 0%
Outside Consultants				
Contractors	377 75	5 033 08	-4,655 33	-92 5%
Engineering Consultation	6,713 53	152,809 65	-146,096 12	-95 61%
Financial	1 500 00	10 024 04	-8,524 04	-85 04%
Laboratory Testing	1,507 28	2,222.00	-714 72	-32 17%
Outside Consultants - Other	4,061.50	22,618 50	-18,557.00	-82.04%
Total Outside Consultants	14,160.06	192,707 27	-178,547 21	-92 65%
Payroll Expenses	682,661 10	740 512 46	-57,851 36	-7 81%
Payroll taxes	51,265 21	56,623 46	-5,358 25	-9 46%
Postage and Delivery	5 604 14	11,364 79	-5 760 65	-50 69%
Professional Development	6,342 97	585 00	5,757 97	984 27%
Rent	53,427 24	78,120 35	-24,693 11	-31 61%
Repairs				
Computer Repairs	0 00	220 00	-220 00	-100 0%
Equipment Repairs	730.00	1,210.73	-480.73	-39.71%
Total Repairs	730 00	1,430 73	-700 73	-48 98%
Supplies	15,374 96	2,087 29	13,287 67	636 6%
Telephone	25 529 23	18,034 07	7,495 16	41 56%
Training	299 00	0 00	299 00	100 0%
Travel & Ent				
Entertainment	3,015 55	1,004 10	2,011 45	200 32%
Meals	526 70	947 74	-421 04	-44 43%
Travel	55,880 55	63,797 53	-7 916 98	-12 41%
Travel & Ent - Other	1,322.07	310.01	1,012.06	326 46%
Total Travel & Ent	60 744 87	66 059 38	-5 314 51	-8 05%
Uncategorized Expenses	195 00	0 00	195 00	100 0%
Utilities				
Gas and Electric	1,701.45	0.00	1,701 45	100 0%
Total Utilities	1,701.45	0 00	1,701.45	100.0%
Total Expense	1,310,209.46	1,784,529.81	-474,320 35	-26.58%
Net Ordinary Income	-702,354 46	-1,475,218 06	772,863 60	-52 39%
Other Income/Expense				
Other Income				
Change in Clean Water Invstmnt	-55,270 11	42,592 28	-97,862 39	-229 77%

03/11/04

Sheaffer International, L. L. C.
Profit & Loss Prev Year Comparison (unaudited)
January through December 2003

	<u>Jan - Dec '03</u>	<u>Jan - Dec '02</u>	<u>\$ Change</u>	<u>% Change</u>
Interest Income	0 00	11,884 61	-11,884 61	-100 0%
Other Income	0 00	5,113 18	-5,113.18	-100.0%
Total Other Income	<u>-55,270 11</u>	<u>59 590 07</u>	<u>-114 860 18</u>	<u>-192 75%</u>
Other Expense				
Depreciation Expense	15,769 64	11,016 63	4,753 01	43 14%
Other Expenses	2,000 00	0 00	2,000 00	100 0%
Penalties	1,255 16	18,891.85	-17,636.69	-93 36%
Total Other Expense	<u>19,024.80</u>	<u>29,908.48</u>	<u>-10,883 68</u>	<u>-36 39%</u>
Net Other Income	<u>-74,294 91</u>	<u>29,681.59</u>	<u>-103,976 50</u>	<u>-350.31%</u>
Net Income	<u><u>-776,649.37</u></u>	<u><u>-1,445,536.47</u></u>	<u><u>668,887.10</u></u>	<u><u>-46.27%</u></u>

SHEAFFER INTERNATIONAL, L.L.C.

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2002 AND 2001**

**TOGETHER WITH
AUDITOR'S REPORT**

To the Board of Directors and Shareholders
of Sheaffer International, L.L.C.:

We have audited the accompanying balance sheet of Sheaffer International, L.L.C. (an Illinois limited liability corporation) as of December 31, 2002 and 2001, and the related statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sheaffer International, L.L.C. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

DUGAN & LOPATKA

Wheaton, Illinois
February 21, 2003

SHEAFFER INTERNATIONAL, L.L.C.
BALANCE SHEET
DECEMBER 31, 2002 AND 2001

A S S E T S (Note 4)

	<u>2002</u>	<u>2001</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 92,115	\$ 17,920
Accounts receivable - Trade	47,568	84,784
- Related parties (Note 2)	92,521	15,403
Notes receivable (Note 2)	4,000	110,000
Work-in-process	2,633,609	2,633,609
Prepaid expenses (Note 3)	22,413	62,287
Total current assets	<u>\$ 2,892,226</u>	<u>\$ 2,924,003</u>
PROPERTY AND EQUIPMENT:		
Property and equipment	\$ 112,942	\$ 108,265
Less - Accumulated depreciation	(70,509)	(59,493)
Net property and equipment	<u>\$ 42,433</u>	<u>\$ 48,772</u>
OTHER ASSETS:		
Investments (Note 2)	\$ 3,116,900	\$ 3,231,091
Notes receivable (Note 2)	88,000	63,000
Patents, net of accumulated amortization of \$3,516 and \$2,345 for 2002 and 2001, respectively	14,067	15,238
Net other assets	<u>\$ 3,218,967</u>	<u>\$ 3,309,329</u>
	<u><u>\$ 6,153,626</u></u>	<u><u>\$ 6,282,104</u></u>

The accompanying notes are an integral part of this statement.

EXHIBIT 1

LIABILITIES AND MEMBERS' EQUITY

	2002	2001
CURRENT LIABILITIES:		
Line of credit (Note 4)	\$ 50,000	\$ 431,809
Notes payable (Note 5)	80,970	80,970
Accounts payable	345,745	261,704
Accrued expenses	39,984	83,701
Total current liabilities	\$ 516,699	\$ 858,184
COMMITMENTS (Note 6)		
MEMBERS' EQUITY:		
Members' equity, beginning of year	\$ 5,423,920	\$ 4,633,728
Contributed capital	1,649,665	1,297,548
Net loss (EXHIBIT 2)	(1,436,658)	(507,356)
Members' equity, end of year	\$ 5,636,927	\$ 5,423,920
	\$ 6,153,626	\$ 6,282,104

EXHIBIT 2

SHEAFFER INTERNATIONAL, L.L.C.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
FEES	\$ 249,707	\$ 318,208
OPERATING EXPENSES (EXHIBIT 4)	<u>1,702,488</u>	<u>832,518</u>
LOSS FROM OPERATIONS	<u>\$ (1,452,781)</u>	<u>\$ (514,310)</u>
OTHER INCOME (EXPENSES):		
Investment in affiliate	\$ 69,008	\$ 33,747
Interest income	11,885	1,639
Interest expense	(36,627)	(32,216)
Penalties	(18,892)	(303)
Miscellaneous	<u>(9,251)</u>	<u>4,087</u>
Net other income	<u>\$ 16,123</u>	<u>\$ 6,954</u>
NET LOSS	<u><u>\$ (1,436,658)</u></u>	<u><u>\$ (507,356)</u></u>

The accompanying notes and EXHIBIT 4 are an integral part of this statement.

SHEAFFER INTERNATIONAL, L.L.C.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,436,658)	\$ (507,356)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Change in investment	\$ (42,592)	\$ (33,747)
Depreciation and amortization	12,187	20,529
(Increase) decrease in accounts receivable	(39,902)	198,932
(Increase) in work in process	-	(1,535,416)
(Increase) decrease in prepaid expenses	39,874	(5,355)
Decrease in other assets	-	1,173
Increase in accounts payable	84,041	42,221
(Decrease) in accrued expenses	(43,717)	(2,051)
Net adjustments	\$ 9,891	\$ (1,313,714)
Net cash (used in) operating activities	\$ (1,426,767)	\$ (1,821,070)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	\$ (4,677)	\$ -
Dividend from affiliate	169,783	-
Payments from notes receivable	81,000	23,560
Net cash provided by investing activities	\$ 246,106	\$ 23,560
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	\$ -	\$ (5,815)
Net (payments) on line of credit	(394,809)	(3,190)
Proceeds from stock sales	1,649,665	1,297,548
Stock subscriptions received	-	500,000
Net cash provided by financing activities	\$ 1,254,856	\$ 1,788,543

The accompanying notes are an integral part of this statement

SHEAFFER INTERNATIONAL, L.L.C.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 74,195	\$ (8,967)
CASH AND CASH EQUIVALENTS, Beginning of year	17,920	26,887
CASH AND CASH EQUIVALENTS, End of year	\$ 92,115	\$ 17,920
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 50,233	\$ 20,821
Interest received	\$ 11,885	\$ 1,639

The accompanying notes are an integral part of this statement.

EXHIBIT 4

SHEAFFER INTERNATIONAL, L.L.C.
STATEMENT OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Advertising (Note 1)	\$ 3,080	\$ 4,523
Automobile expense	10,337	3,214
Bad debts	13,337	54,879
Contributions	-	131
Depreciation and amortization	12,187	20,529
Dues and subscriptions	534	969
Easement	113,500	(1,048)
Equipment rental (Note 6)	107,297	44,624
Insurance	143,009	79,099
Professional fees	165,608	56,403
Licenses and permits	2,100	616
Office supplies	12,632	10,031
Outside consultants	143,488	3,921
Salaries and payroll taxes	801,995	480,948
Postage	11,165	3,815
Rent (Note 6)	78,120	33,284
Repairs	1,431	274
Utilities	17,450	11,404
Meals and entertainment	2,010	2,508
Travel	63,208	22,394
	<hr/>	<hr/>
Total operating expenses	\$ 1,702,488	\$ 832,518
	<hr/>	<hr/>

SHEAFFER INTERNATIONAL, L.L.C.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Sheaffer International, L.L.C. (the "Company") was formed September, 1996 to manage water and land resources in harmony with nature to enhance the quality of life.

Cash and cash equivalents -

For purposes of the statement of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

Work-in-process -

The Company capitalizes the direct costs associated with the development of their engineering projects. Initial costs are charged to operations prior to the completion of a detailed program design or a working model. Costs incurred subsequent to project commencement are charged to operations. Capitalized costs are amortized over the estimated project life on the straight-line basis.

Property and equipment -

Property and equipment are recorded at cost. Renewals and betterment of property are accounted for as additions to the asset accounts. Repair and maintenance charges are expensed as incurred. Upon retirement or other disposition, the cost is removed from the fixed asset account and the related depreciation previously provided is removed from the accumulated depreciation account. Gain or loss on such retirements is included in earnings.

Depreciation -

Depreciation expense is computed utilizing the straight-line method. The cost of all depreciable property is charged to operations over their estimated useful lives ranging from 5 to 7 years.

Amortization -

Amortization expense is computed utilizing the straight-line method. All costs incurred for patents are being charged to operations over their estimated useful life of 15 years.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Credit risk -

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. The Company places its cash and deposits with high credit quality financial institutions; however, deposits occasionally exceed the federally insured limits.

Income taxes -

The Company has elected to be taxed as a limited liability company under the provisions of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate taxes on its taxable income. Instead, the members are liable for individual federal income taxes on their respective shares of the Company's taxable income.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Prior year balances -

Certain prior year amounts have been reclassified to conform with current year presentation.

Advertising -

Advertising costs are expensed as incurred. Total expense for 2002 and 2001 was \$3,080 and \$4,523, respectively.

(2) RELATED PARTY TRANSACTIONS:

The Company conducts transactions with affiliated companies: Sheaffer International, Ltd; S.I.L. Clean Water, L.L.C., Sheaffer Indiana, L.L.C.

	<u>2002</u>	<u>2001</u>
Accounts receivable:		
- Sheaffer Sweeney International	\$ 13,886	\$ -
- S.I.L. Clean Water, L.L.C.	66,871	11,639
- Sheaffer International, Ltd.	3,764	3,764
- Sheaffer Stafford Enterprises	<u>8,000</u>	<u>-</u>
	<u>\$ 92,521</u>	<u>\$ 15,403</u>

(2) RELATED PARTY TRANSACTIONS: (Continued)

The Company also has the following notes receivable at December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Due from Sheaffer International, Ltd. bearing no interest, due upon finalization of contract in 2003 and unsecured.	\$ 4,000	\$ 4,000
Due from Sheaffer International, Ltd., bearing no interest, due upon dissolution of Sheaffer International, L.L.C. and unsecured.	87,500	62,500
Due from a third party bearing interest at 8%, due in December, 2002 and unsecured.	-	106,000
Due from Sheaffer Indiana, L.L.C., bearing no interest, due upon dissolution of Sheaffer International, L.L.C. and unsecured.	<u>500</u>	<u>500</u>
	\$ 92,000	\$ 173,000
Current	<u>4,000</u>	<u>110,000</u>
Long-term	<u>\$ 88,000</u>	<u>\$ 63,000</u>

The Company's ninety-nine percent (99%) investment in S.I.L. Clean Water, L.L.C. and one percent (1%) in Sheaffer Indiana, L.L.C. are accounted for under the equity method due to its ability to exercise significant influence as a general partner.

(3) DEPOSITS:

Through the year ended December 31, 2001, the Company made payments to a third party totaling \$58,000 as an option to purchase land located in Marshville Township, North Carolina. This option expired during 2002.

(4) LINE OF CREDIT:

At December 31, 2002 and 2001, the Company has a \$450,000 line of credit with a bank, bearing interest at prime plus .25%, maturing July, 2003, secured by all of the assets of the Company, and guaranteed by two members. The Company had outstanding borrowings of \$50,000 and \$431,809 at December 31, 2002 and 2001, respectively.

(5) NOTE PAYABLE:

	<u>2002</u>	<u>2001</u>
Payable to a third party, bearing no interest, due on demand and unsecured.	\$ 50,970	\$ 50,970
Payable to a shareholder bearing no interest, due on demand and unsecured.	<u>30,000</u>	<u>30,000</u>
	<u>\$ 80,970</u>	<u>\$ 80,970</u>

(6) COMMITMENTS:

During the year ended December 31, 2002, the Company entered into lease agreements for office space and office furniture which expire through December 31, 2006.

Aggregate rental expense for 2002 and 2001 was \$78,120 and \$33,284 for the office space and \$107,297 and \$44,624 for the office furniture, respectively.

Future minimum rental commitments are as follows:

2003	\$ 68,618
2004	70,077
2005	66,471
2006	11,677

(7) NON-CASH TRANSACTIONS:

During 2002, the Company financed an additional investment of \$13,000 in S.I.L. Clean Water through their line of credit.

S.I.L. CLEAN WATER, L.L.C.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2002 AND 2001
TOGETHER WITH
AUDITOR'S REPORT

To the Board of Directors and Shareholders
of S.I.L. Clean Water, L.L.C.:

We have audited the accompanying balance sheet of S.I.L. Clean Water, L.L.C. (an Illinois limited liability corporation) as of December 31, 2002 and 2001, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S.I.L. Clean Water, L.L.C. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


DUGAN & LOPATKA

Wheaton, Illinois
February 21, 2003

S.I.L. CLEAN WATER, L.L.C
BALANCE SHEET
DECEMBER 31, 2002 AND 2001

A S S E T S (Note 4)

	<u>2002</u>	<u>2001</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,039,072	\$ 265,132
Investments (Note 3)	-	778,830
Accounts receivable	170,416	145,526
Interest receivable	620	11,152
Prepaid expenses (Note 2)	38,467	-
	<hr/>	<hr/>
Total current assets	\$ 1,248,575	\$ 1,200,640
	<hr/>	<hr/>
PROPERTY, PLANT AND EQUIPMENT:		
Collection system	\$ 2,207,052	\$ 2,206,369
Testing equipment	26,435	21,010
Vehicles (Note 5)	38,130	18,625
Irrigation system	2,377,577	2,377,577
Reclamation facility	5,759,805	5,758,309
	<hr/>	<hr/>
Total property, plant and equipment	\$ 10,408,999	\$ 10,381,890
	<hr/>	<hr/>
Less - Accumulated depreciation	(698,821)	(408,090)
	<hr/>	<hr/>
Net property, plant and equipment	\$ 9,710,178	\$ 9,973,800
	<hr/>	<hr/>
OTHER ASSETS:		
Bond issuance costs, net of accumulated amortization of \$35,416 and \$16,098 in 2002 and 2001, respectively.	\$ 434,659	\$ 453,977
Permitting costs, net of accumulated amortization of \$23,800 and \$13,600 in 2002 and 2001, respectively.	231,617	241,218
	<hr/>	<hr/>
Net other assets	\$ 666,276	\$ 695,195
	<hr/>	<hr/>
	<u>\$ 11,625,029</u>	<u>\$ 11,869,635</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 1LIABILITIES AND MEMBERS' EQUITY

	2002	2001
CURRENT LIABILITIES:		
Bonds payable, current portion (Note 4)	\$ 165,000	\$ 150,000
Note payable, current portion (Note 5)	3,710	-
Accounts payable (Note 2)	117,510	95,507
Interest payable	98,298	101,017
Accrued expenses (Note 2)	32,749	71,961
	<hr/>	<hr/>
Total current liabilities	\$ 417,267	\$ 418,485
	<hr/>	<hr/>
LONG-TERM LIABILITIES:		
Bonds payable, net of current portion above (Note 4)	\$ 8,045,000	\$ 8,210,000
Notes payable, net of current portion above (Note 5)	14,884	-
	<hr/>	<hr/>
Total long-term liabilities	\$ 8,059,884	\$ 8,210,000
	<hr/>	<hr/>
Total liabilities	\$ 8,477,151	\$ 8,628,485
	<hr/>	<hr/>
MEMBERS' EQUITY:		
Members' equity, beginning of year	\$ 3,241,150	\$ 3,224,189
Contributed capital - S.I.L.	13,000	194,753
Dividend distribution (Note 2)	(175,977)	(211,880)
Net income (EXHIBIT 2)	69,705	34,088
	<hr/>	<hr/>
Members' equity, end of year	\$ 3,147,878	\$ 3,241,150
	<hr/>	<hr/>
	<u>\$ 11,625,029</u>	<u>\$ 11,869,635</u>

EXHIBIT 2

S.I.L. CLEAN WATER, L.L.C.
STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
REVENUE:		
Service and fee income	\$ 1,796,148	\$ 1,614,440
EXPENSES:		
Bank service charges	\$ 292	\$ 274
Bond expense	4,482	-
Depreciation and amortization	319,650	332,255
Fees	-	21,075
Insurance	74,894	42,542
Laboratory testing	58,819	39,606
Management fees (Note 2)	60,000	58,129
Outside consultants	3,897	6,677
Payroll taxes	6,555	5,271
Professional fees	11,266	-
Property taxes	58,028	80,061
Repairs and maintenance	42,493	13,276
Salary	76,823	65,300
Supplies	54,657	39,811
Travel	295	-
Utilities	346,432	336,054
Miscellaneous	24,082	2,925
Total expenses	\$ 1,142,665	\$ 1,043,256
INCOME FROM OPERATIONS	\$ 653,483	\$ 571,184
OTHER INCOME (EXPENSES):		
Interest income	\$ 43,569	\$ 61,549
Interest expense	(603,520)	(614,217)
Gain (loss) on investments	(23,827)	15,572
Net other (expenses)	\$ (583,778)	\$ (537,096)
NET INCOME	\$ 69,705	\$ 34,088

The accompanying notes are an integral part of this statement.

EXHIBIT 3

S.I.L. CLEAN WATER, L.L.C
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 69,705	\$ 34,088
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	\$ 319,650	\$ 332,255
(Gain) loss on investments	23,827	(15,572)
(Increase) in accounts receivable	(24,890)	(119,524)
Decrease in grant receivable	-	299,419
Decrease in interest receivable	10,532	2,570
(Increase) in prepaid expenses	(38,467)	-
Increase in accounts payable	22,003	39,798
(Decrease) in accrued expenses	(41,931)	(603,716)
Net adjustments	\$ 270,724	\$ (64,770)
Net cash provided by (used in) operating activities	\$ 340,429	\$ (30,682)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	\$ (7,605)	\$ (87,227)
Proceeds from sale of investments	755,004	-
Net cash provided by (used in) investing activities	\$ 747,399	\$ (87,227)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bond payable	\$ (150,000)	\$ (140,000)
Payments on notes payable	(911)	-
Dividend distribution	(175,977)	(211,880)
Capital contribution	13,000	194,753
Net cash (used in) financing activities	\$ (313,888)	\$ (157,127)
NET CHANGE IN CASH	\$ 773,940	\$ (275,036)
CASH AND CASH EQUIVALENTS, Beginning of year	265,132	540,168
CASH AND CASH EQUIVALENTS, End of year	\$ 1,039,072	\$ 265,132

The accompanying notes are an integral part of this statement

S.I.L. CLEAN WATER, L.L.C.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

S.I.L. Clean Water (the "Company") was formed September 1, 1997 to engineer, own, and operate a wastewater reclamation, treatment, and irrigation system in Virginia. This new system will consolidate the four waste treatment systems of the Towns of Broadway and Timberville, ROCCO Enterprises Inc., and Pilgrims Pride, Inc., under 25-year contracts.

Cash and cash equivalents -

For purposes of the statement of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

Property, plant and equipment -

Property, plant and equipment are recorded at cost. Renewals and betterment of property are accounted for as additions to the asset accounts. Repair and maintenance charges are expensed as incurred. Upon retirement or other disposition, the cost is removed from the fixed asset account and the related depreciation previously provided is removed from the accumulated depreciation account. Gain or loss on such retirements is included in earnings. The cost of all depreciable property is charged to operations over their estimated useful lives ranging from 3 to 40 years.

Credit risk -

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. The Company places its cash and deposits with high credit quality financial institutions; however, deposits occasionally exceed the federally insured limits.

Income taxes -

The Company has elected to be taxed as a limited liability company under the provisions of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate taxes on its taxable income. Instead, the members are liable for individual federal income taxes on their respective shares of the Company's taxable income.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(2) RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2002 and 2001, Sheaffer International, L.L.C. paid expenses on behalf of the Company. The Company will reimburse Sheaffer International, L.L.C. for those expenses at their discretion. The following transactions occurred with Sheaffer:

	<u>2002</u>	<u>2001</u>
Prepaid expenses	\$ 35,967	\$ -
Accounts payable	64,269	11,639
Accrued expenses	18,704	3,247
Management fees	60,000	58,129
Distribution to Sheaffer International, L.L.C	175,977	211,880

(3) INVESTMENTS:

The Company has classified their investments as trading securities since they are held principally for the purpose of selling them in the near future. These securities are recorded at fair market value and consist of the following:

	<u>2002</u>	<u>2001</u>
Federal House Loan Mortgage Debentures	\$ <u>-</u>	\$ <u>778,830</u>

(4) BONDS PAYABLE:

The state of Virginia Small Business Finance Authority for the benefit of the Company has issued tax-exempt bonds totaling \$8,500,000. Outstanding borrowings totaled \$8,210,000 and \$8,360,000 for December 31, 2002 and 2001, respectively. The bonds bear interest at 7.25%, payable semi-annually on the first day of May and November. The bonds are secured by property, a security interest in the Company's revenue, a pledge of receipts of the State of Virginia grants, and an assignment of certain wastewater treatment contracts relating to the facility. Bonds are subject to mandatory sinking fund repayments as follows:

2003	\$ 165,000
2004	175,000
2005	185,000
2006	200,000
2007	215,000
Thereafter	7,270,000

(5) NOTE PAYABLE:

	<u>2002</u>	<u>2001</u>
Payable to a financial institution in monthly installments of \$350, principal and interest, bearing interest at 2.9%, due in September, 2007, and secured by a vehicle	\$ 18,594	\$ -
Less - Current portion	<u>(3,710)</u>	<u>-</u>
Long-term portion	<u>\$ 14,884</u>	<u>\$ -</u>

Maturities for the years succeeding December 31, 2003 are as follows:

2004	\$ 3,819
2005	3,931
2006	4,047
2007	<u>3,087</u>
	<u>\$ 14,884</u>

(6) SUPPLEMENTAL CASH FLOW INFORMATION:

	<u>2002</u>	<u>2001</u>
Interest paid	<u>\$ 606,239</u>	<u>\$ 616,250</u>
Interest received	<u>\$ 54,101</u>	<u>\$ 64,119</u>
Vehicle purchased through financing	<u>\$ 19,504</u>	<u>\$ -</u>